

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 IO-13 EB-08 COME-00 TRSE-00 OMB-01 ACDA-07
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R 291600Z SEP 77
FM AMEMBASSY BERLIN
TO SECSTATE WASHDC 5762
INFO AMEMBASSY WARSAW
AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY LONDON
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C O R R E C T E D C O P Y PARA 3 LINE 8 AND PARA 4 LINE 2

E.O.11652: N/A
TAGS: PGOV, GE
SUBJECT: HIGHLIGHTS OF HONECKER SEPTEMBER 26
DRESDEN SPEECH

1. SUMMARY: IN SPEECH TO SED MEMBERS OF SEPT. 26,
HONECKER HARSHLY CRITICIZED THE FRG AND WAS UNUSUALLY
CANDID ON THE GDR'S ECONOMIC SITUATION. IN ADDITION,
HE TOUCHED ON A NUMBER OF OTHER ISSUES, INCLUDING
FOREIGN AFFAIRS, AND BERLIN. SPEECH ALSO ADDRESSED
THE INTERSHOP SYSTEM, A TROUBLESOME QUESTION
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FOR THE PARTY FAITHFUL. STATEMENT CONTAINS NO
NEW GDR POLICIES. IT DOES, HOWEVER, REFLECT MAJOR
THEMES AND ISSUES OF CONCERN TO THE PARTY, END SUMMARY.

2. ON SEPTEMBER 26 CHAIRMAN OF THE COUNCIL OF
STATE AND SED PARTY CHIEF HONECKER GAVE LENGTHY
AND WIDE-RANGING SPEECH COVERING MOST ISSUES OF

CURRENT INTEREST IN THE GDR. OCCASION FOR SPEECH WAS THE OPENING OF THE PARTY'S CADRE TRAINING PROGRAM FOR THE COMING YEAR.

3. FOREIGN AFFAIRS. IN DISCUSSING FOREIGN POLICY, HONECKER STRESSED IMPORTANCE OF POLICY OF DETENTE AND DISARMAMENT, PEACEFUL COEXISTENCE, SUPPORT FOR PROGRESSIVE FORCES ABROAD AND CLOSE COOPERATION WITH THE USSR. HONECKER STATED THAT THE GDR IS READY TO WORK TOGETHER WITH ALL REALISTIC FORCES AND, IN THAT CONTEXT, TO CONSTRUCT A SYSTEM ARGUED THAT THE IMPORTANCE OF INTERNATIONAL TRAVEL AND HUMAN CONTACTS AS A SOLUTION TO PROBLEMS OF WAR AND PEACE HAVE BEEN GREATLY EXAGGERATED.

4. THE FRG. HONECKER WAS SHARPLY CRITICAL OF THE PROBLEMS, CRISIS ATTITUDE AND THE "HITLER WAVE." PARTICULARLY IRRITATED WITH THIS PART OF HONECKER'S SPEECH.) HE WARNED AGAINST THE THREAT POSED BY FORCES WHICH WERE ANTI-COMMUNIST, ANTI-SOVIET AND ANTI-GDR. HONECKER MADE A STRONG STATEMENT ON THE NATIONALITY QUESTION, CHARACTERIZING THE GDR POSITION AS NON-NEGOTIABLE, AND SAID THAT THE GDR EXPECTS THE FRG TO TAKE INTO ACCOUNT GDR CITIZENSHIP AND IF THIS IS INCONSISTENT WITH FRG LEGISLATION, THEN SUCH LEGISLATION SHOULD BE CHANGED. HONECKER LIMITED OFFICIAL USE

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COMPLAINED THAT, DESPITE TREATY AGREEMENTS, THE FRG CONTINUES TO REFUSE TO RECOGNIZE THE NATIONAL FRONTIERS OF THE GDR OR TO CONSIDER GDR CITIZENS AS SUCH, AND THIS LIES AT THE ROOT OF THE PROBLEM BETWEEN THE GDR AND THE FRG.

5. BERLIN. HONECKER CRITICIZED THE FRG FOR USING WEST BERLIN TO INCREASE TENSIONS. HE WARNED THAT IT IS "EXTREMELY RISKY" TO TREAT BERLIN AS A "LAND" OF THE FRG IN VIOLATION OF THE FOUR POWER TREATY. THE STARTING POINT FOR A CRISIS-FREE SITUATION IN AND AROUND WEST BERLIN, HE STATED, IS THE FULL RESPECT FOR THE FOUR POWER AGREEMENT UNDER WHICH WEST BERLIN IS NOT A COMPONENT OF THE FRG AND IS NOT GOVERNED BY IT.

6. DISAFFECTION AT HOME. HONECKER MADE A BRIEF, PASSING REFERENCE TO THOSE IN THE GDR WHO FOUND THE DIFFICULTIES IN CREATING A NEW SOCIETY TOO GREAT AND WHO HAD LOST THE CLEAR VISION AND WENT OVER TO THE OTHER SIDE. HISTORY, HE SAID, WILL IGNORE SUCH PEOPLE: THE DISLOYAL CANNOT CHANGE

EVENTS. THEY MAY GET HEADLINES FOR A FEW WEEKS AND
MAKE A FEW DOLLARS, BUT THAT IS ALL.

7. ON THE DOMESTIC SCENE, THE SPEECH REVIEWS
ACHIEVEMENTS AND PLANS IN FAMILIAR TERMS, STRESSING
THE CRUCIAL IMPORTANCE OF RAISING PRODUCTIVITY
AND HOLDING DOWN LABOR AND RESOURCE USE THROUGH
TECHNOLOGICAL INNOVATION AND
RATIONALIZATION. THE ECONOMIC PLAN FOR 1978,
NOW THE OBJECT OF INTENSIVE ACTIVITY, IS TO BE
DEMANDING, BUT REALISTIC, I.E. IT IS TO BE TAKEN
SERIOUSLY BY PLANT MANAGERS, WHO ARE NOT GOING
TO BE EXCUSED FROM THEIR PLANS ON THE GROUNDS OF
GENERAL DIFFICULTIES IN THE ECONOMIC SPHERE. A
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STRONG

STATEMENT ON CONSUMER PRICES RIDICULES WEST GERMAN ANALYSTS FOR PREDICTING A CONSUMER PRICE INCREASE, AND REAFFIRMS THE PARTY'S COMMITMENT TO FIXED RENTS RETAIL AND PRICES FOR FOOD, MANUFACTURED GOODS AND SERVICES.

8. IN A STARTLINGLY LENGTHY AND CANDID PRESENTATION ON THE GDR'S INTERNATIONAL ECONOMIC SITUATION, HONECKER SKETCHED IN STARK TERMS THE PROBLEM OF RISING RAW MATERIALS PRICES IN THE WEST AS WELL AS IN THE EAST, SAYING THAT THE BASIS ON WHICH LIMITED OFFICIAL USE

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THE GDR MAPPED ITS LONG-TERM ECONOMIC STRATEGY HAD BEEN AFFECTED BY THESE DEVELOPMENTS. HE SAID PRICES OF MANUFACTURED GOODS HAD NOT KEPT PACE WITH THE RISE IN RAW MATERIALS PRICES, WHICH HAD COST THE GDR AN EXTRA 14 BILLION "VALUTA MARKS" SINCE 1973.

9. HONECKER PROVIDED A LENGTHY JUSTIFICATION OF THE GDR'S TRADE WITH THE NON-COMMUNIST WORLD. HE SAID EXPORTS TO THE WEST ARE ESSENTIAL, AND URGED INDUSTRY TO RAISE THE QUALITY OF ITS OUTPUT TO LEVELS THAT COULD BE MARKETED ABROAD. HE SAID IT IS NORMAL THAT ECONOMIC EXCHANGE WITH THE WEST HAS EXPANDED IN RECENT YEARS; AND THE VARIETY OF BUSINESS RELATIONS HAS EXPANDED TO INCLUDE COMPENSATION (BUY BACK), COOPERATION (JOINT PRODUCTION); AND LICENSE PRODUCTION. BY MEANS OF THESE DEVICES, HONECKER SAID, THE GDR IS SOLVING PROBLEMS WHICH WOULD OTHERWISE NOT BE SOLUBLE.

10. THE CAPITALISTS PROFIT FROM THEIR BUSINESS WITH GDR, HONECKER SAID, AND UNEMPLOYMENT AND CAPACITY UNDERUTILIZATION HAVE PUSHED WESTERN FIRMS INTO EAST-WEST TRADE. IT IS THE GDR'S TASK TO EXTRACT FROM THIS SITUATION BENEFITS FOR THE EAST GERMAN POPULATION.

11. IN ANOTHER UNUSUAL PASSAGE, HONECKER TOOK UP THE "INTERSHOP" QUESTION, ADDRESSING VIRTUALLY HEAD-ON CRITICISM OF THE BURGEONING SYSTEM OF HARD-CURRENCY STORES. HE ARGUES THAT THE STATE NEEDS THE HARD CURRENCY THAT 9.5 MILLION VISITORS ANNUALLY BRING IN FROM THE WEST; AND OTHER COMMUNIST COUNTRIES HAVE SIMILAR SYSTEMS. HE ADMITTED THAT

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GDR RESIDENTS WITHOUT ACCESS TO HARD CURRENCY ARE DISADVANTAGED, BUT PROMISED, ALBEIT SOMEWHAT HOLLOWLY, THAT THE SYSTEM OF "EXQUISIT" CLOTHING STORES AND "DELIKAT" SPECIALTY FOOD STORES WILL BE IMPROVED TO A POINT THAT WILL CONSTITUTE A SOFT-CURRENCY EQUIVALENT TO THE INTERSHOP FOR THE DISCRIMINATING (AND WELL-HEELED) GDR SHOPPER. IN A BRIEF COMMENT ON COFFEE PRICES AND SUPPLY HONECKER REFERRED TO THE WEEK-EARLIER ANNOUNCEMENT OF THE MINISTRY OF TRADE AND SUPPLY ON THE SUBJECT, ADDING ONLY THE ASSERTION THAT THE GDR SPENDS \$300 MILLION ANNUALLY ON IMPORTS OF RAW COFFEE, A FIGURE THE EMBASSY FINDS SOMEWHAT IMPROBABLE.

12. COMMENT. HONECKER'S PRESENTATION ON ECONOMIC TOPICS WAS UNUSUALLY CANDID IN SKETCHING SOME OF THE GDR'S DIFFICULTIES IN A WORLD OF HIGH AND RISING RAW MATERIALS PRICES; AND AMOUNTED, IN EFFECT, TO AN APPEAL TO STAND BY THE LEADERSHIP IN A PERIOD OF DIFFICULTY NOT OF ITS OWN MAKING. ON FOREIGN AFFAIRS, HONECKER'S STATEMENT BROKE NO NEW GROUND. EXCEPT ON THE ISSUE OF THE FRG, IT WAS GENERALLY MODERATE IN TONE. THE LINE HE TOOK ON BERLIN WAS HARD BUT CONSISTENT WITH FREQUENTLY-EXPRESSED GDR POLICY. THE SPEECH WAS SOMEWHAT UNUSUAL IN ITS DIRECT AND HARSH CRITICISM OF INTERNAL EVENTS IN THE FRG, PARTICULARLY COMING FROM A CHIEF OF STATE. THE FRG PERMANENT MISSION IN EAST BERLIN HAS NOT YET ASSESSED THE FULL SIGNIFICANCE OF THIS, ALTHOUGH SOME ARE CONCERNED AT THE TIMING OF SUCH A HARD-LINE STATEMENT IN THE MIDDLE OF THE INNER-GERMAN SOUNDINGS. WE FIND THE SPEECH CONSISTENT WITH POSITIONS TAKEN IN NEUES DEUTSCHLAND IN RECENT WEEKS AND WE DO NOT BELIEVE THAT THE HONECKER SPEECH MARKS A CHANGE IN GDR POLICY VIS-A-VIS THE FRG OR IN REGARD TO

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THE ONGOING INNER-GERMAN TALKS. END COMMENT.
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